

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6420

BILL NUMBER: SB 470

DATE PREPARED: Nov 24, 1998

BILL AMENDED:

SUBJECT: Medicaid Prescription Drugs for Impotence.

FISCAL ANALYST: Alan Gossard

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FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL

IMPACT: State

Summary of Legislation: This bill prohibits the Medicaid program from supplying prescribed drugs for the treatment of erectile dysfunction or impotence. The bill requires the Office of Medicaid Policy and Planning (OMPP) to limit the monthly amount of the prescribed drug and require a copayment of the prescribed drug if federal law requires the Medicaid program to provide the drugs.

Effective Date: Upon passage.

Explanation of State Expenditures: The state Medicaid program currently reimburses for three erectile dysfunction drugs which would be affected by this bill. Medicaid expenditures for these three drugs totaled \$84,113 for FY98 (about \$32,500 in state dollars at the estimated cost-share of 61.3% federal/38.7% state). This bill would eliminate coverage of these drugs.

The state is currently not reimbursing for a fourth drug, Viagra. However, the federal Health Care Financing Administration (HCFA) has issued a ruling that states must cover Viagra in their Medicaid programs. In the event that the HCFA ruling stands and the state is required to cover Viagra under the Medicaid program, a second provision of this bill requires OMPP to develop rules to limit utilization of this drug and to require a copayment to the extent allowed under federal law.

HCFA suggests that states may consider various methods for limiting Viagra utilization including: (1) Requiring providers to provide full medical documentation to support medical necessity of the drug; (2) Monitor and discipline providers who are discovered to have prescribed Viagra when there was no evidence of medical necessity; (3) Establish prior authorization procedures as a prerequisite for Medicaid reimbursement; and (4) Place limits on the number of refills or the quantity per prescription. The fiscal impact of this bill will ultimately depend upon the requirements placed on the state by the federal government and/or the limitations placed upon coverage of the drug by OMPP.

Explanation of State Revenues: See Explanation of State Expenditures, above, regarding this bill's impact on Medicaid program expenditures that are cost-shared with the federal government.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Office of Medicaid Policy and Planning

Local Agencies Affected:

Information Sources: Kathy Gifford, OMPP, 233-4455.